

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on February 6, 2001 at 8:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: None.

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 45, 2/2/2001; HB 441,
2/2/2001; SB 192, 2/2/2001
Executive Action: SB 45, SB 192

HEARING ON SB 45

Sponsor: SENATOR ALVIN ELLIS, SD 12, Red Lodge

Proponents: None.

Opponents: None.

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 1.8}

SEN. ELLIS said this bill is to clean up language referring to migratory personal property. An example would be a construction company who moved into Montana to do a job over the summer and leaves after the job is completed. When they come in, the county immediately assesses personal property tax on all of the equipment. When they leave, they owe that portion of property tax. Currently in statute it only refers to tax, so they have changed it to property tax. Also the application has to be made to the Board of County Commissioners. The bill also removes some other confusing language.

Questions from Committee Members and Responses:

{Tape : 1; Side : A; Approx. Time Counter : 4.1}

REP. FORRESTER asked if this is a problem currently. **SEN. ELLIS** said it is not a problem. The fiscal note shows a net general fund impact of \$5100. The counties on some instances have had to give some refunds. **REP. FORRESTER** asked how hard it is for counties to find this migratory property to assess. **SEN. ELLIS** said this deals with construction property. With this amendment to statute, they have to prove they paid property tax in another state. It also changes the application process and removes the requirement that the application for refund must be made by January 31.

HEARING ON HB 441

Sponsor: REPRESENTATIVE GARY MATTHEWS, HD 4, Miles City

Proponents: Aidan Myhre, Montana Chamber of Commerce
Dustin Stewart, Association Students of MSU
Mary Whittinghill, Montana Taxpayers Association
Riley Johnson, National Federation of Independent
Businesses

Opponents: None.

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 7.8}

REP. MATTHEWS said this bill is about creating new jobs.

EXHIBIT (tah30a01) It was patterned off of what other states do to create new jobs. It includes a tax credit for expanding an existing business or creating a new business that generates new jobs. The annual credit is \$150 per job created and will be given for the first five years the job is filled. These jobs have to be 2080 hours per year and pay a wage that will ensure the taxable income for the new job does not exceed the amount of credit the employer receives.

Proponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 12}

Dustin Stewart, Associated Students of Montana State University, said there are two key factors to economic develop. One is educating students, and the second is creating jobs for those students to be employed in after they graduate. This will keep Montana's students in the state.

Aidan Myhre, Montana Chamber of Commerce, said this is a way to create new jobs. It is targeted toward rural Montana in order for them to have incentive to build jobs and create opportunities for people to move to the smaller cities. These would be good paying jobs with stability.

Mary Whittinghill, Montana Taxpayers Association, said they support the bill for the reasons already listed. They are looking for tax incentives this session that are broad based, and bill applies equally to businesses coming into Montana and the current businesses here today.

Questions from Committee Members and Responses:

{Tape : 1; Side : A; Approx. Time Counter : 14.7}

REP. BALYEAT asked if seasonal full-time employment would qualify for this credit and when the effective date is. **REP. MATTHEWS** said this would be effective on January 1, 2002.

REP. SOMERVILLE asked if the sponsor would be amenable to changing the tax credit so it applies to everywhere in Montana.

REP. MATTHEWS said these jobs have to be tied to a wage, and that

person would have to pay enough income tax with the new job to offset the credit. He comes from Miles City where new jobs need to be created, but the committee can make this decision.

REP. SCHMIDT asked why this is tied to the Federal minimum wage.

REP. MATTHEWS said it has to be tied to a wage, and the employee has to be paid enough that the income tax they pay covers the credit so Montana is not losing any money.

REP. BALYEAT asked what the credit in 15-31-125 is as stated in the bill. **REP. ESP** read the statute.

REP. STORY asked if this credit is intended to be refundable.

REP. MATTHEWS said this is correct.

REP. BALYEAT asked that if it is a refundable credit how it ties into the carryover stated in the bill. **REP. MATTHEWS** said this might need to be addressed.

REP. ERICKSON asked how much money might be given as tax credits on the individual side versus the corporate side. **Larry Finch, Department of Revenue**, said when they worked on the fiscal note, there was a fiscal impact overall, and it was not broken down between individuals and corporations. Based on past experience with credits in which both individuals and corporations are paid them, most of the credits are on the individual income tax side.

REP. STORY asked if under this bill a person could do both.

Larry Finch said if you are a sole proprietor, the credit would come through on the income tax side. If you are a corporation, it would come through on the corporation tax. **REP. STORY** asked if a person could take the credit on their corporate tax and individual tax. **Larry Finch** said the intent is either one or the other. **REP. STORY** asked if the language needs to be clear that the credit can only be taken once. **Larry Finch** said this language could be inserted in the bill. **REP. STORY** asked if there is an advantage by getting the deduction for wages and this proposed credit. **Larry Finch** said this is correct. A bill can be drafted in a manner that allows it to be an addition to the deduction or if a credit is taken for the wages you must offset the deductions currently being granted.

REP. BALYEAT asked if the state will make money by giving a credit to both the individual and the business. **Larry Finch** said to the extent the credit would be given in a county that is not a class 1 or 2 county where the credit level is \$150. The state will certainly make money on any new job created in response to this incentive, because those jobs are paying between \$16,000 and

\$17,000. In average in 1999, all tax returns filed in this income range paid \$350 in income tax. **REP. BALLYEAT** asked that if a business pays \$16,000 in wages and takes the \$16,000 in wages their taxes will be lower because of the extra deduction. **Larry Finch** said this could be true. **REP. BALLYEAT** asked if they took this into account while doing the fiscal note. **Larry Finch** said they did the fiscal note by looking at the information received from the Department of Labor & Industry that shows how many jobs may be created over the course of the next several years under current law. The number of jobs is multiplied by the credit as a reduction to the state general fund. **REP. BALLYEAT** asked if any new tax generated on these wages was figured in. **Larry Finch** said they simply provided the impact versus current law, due to the extent this incentive would be responsible for adding jobs to the economy above and beyond what we already know is going to be created.

REP. WAITSCHIES asked if seasonal workers would be getting this benefit, as each season they are considered to be in a new job. **REP. MATTHEWS** said this is not the intent, and it is tied to a number of hours, which is 2080 per year in order to be eligible. **REP. WAITSCHIES** said seasonal workers typically work this in the summer and asked if each year they could receive this credit. **REP. MATTHEWS** said he is hoping for full-time jobs where people work 2080 hours. He does not know how many hours construction workers work but thinks it would be difficult to work this in just a summer.

REP. BALLYEAT asked if there are any employees that work 40 hours per week 52 weeks per year. **REP. MATTHEWS** said he used to work that many hours.

Closing by Sponsor:

{Tape : 1; Side : B; Approx. Time Counter : 3.4}

REP. MATTHEWS said he wants the committee to look at the counties that need help, and this was his motivation for bringing this bill.

HEARING ON SB 192

Sponsor: SENATOR DEPRATU, SD 40, Whitefish

Proponents: Dave Woodyard, Department of Revenue

Opponents: None.

Opening Statement by Sponsor:

{Tape : 1; Side : B; Approx. Time Counter : 4.9}

SEN. DEPRATU said as the Department of Revenue went to implement the passed referendum to repeal the inheritance tax, they found there needed to be a few technical corrections. This bill is just minor corrections that make the referendum workable and legal.

Proponents' Testimony:

Dave Woodyard, Chief Council, Department of Revenue, said this is a cleanup bill as a result of the referendum eliminating the state inheritance tax. It takes care of some language still in the code that does not apply.

Questions from Committee Members and Responses:

{Tape : 1; Side : B; Approx. Time Counter : 7.9}

REP. ERICKSON asked what would happen if this bill was not passed. **Dave Woodyard** said the only consequence would be that there is language in statute that is not necessary anymore. The people who file the document would have to indicate the taxes have been paid, but there would not be any taxes paid because there was none due.

REP. STORY asked if there are date and timing issues that need to be addressed. **Dave Woodyard** said the applicability date ties in with the date of the initiative.

REP. ERICKSON asked if not having to pay for 18 months would make a difference. **Dave Woodyard** said it would not make a difference because it is tied to the date of the debt, and the inheritance tax will not exist for anybody who dies after that date.

REP. STORY said if someone died on December 20, 2000, they would still owe the inheritance tax and wondered how much time is allowed to get the papers filed and tax paid. **Dave Woodyard** said if it is a non-probate situation, it is handled fairly quickly. All that is needed is the death certificate and they file the documents with the county clerk and recorder, and this can happen within 2-3 months. **REP. STORY** asked if this applies on passage and approval there will not be a problem. **Dave Woodyard** said it will not be a problem. The applicability date shows that this will not apply until deaths occurring after December 31, 2000.

Closing by Sponsor:

{Tape : 1; Side : B; Approx. Time Counter : 13.3}

SEN. DEPRATU said the time of death determines the applicability of the statute.

EXECUTIVE ACTION ON SB 45

Motion/Vote: REP. SOMERVILLE moved that SB 45 BE CONCURRED IN.
Motion carried 20-0. REP. ANDERSEN will carry the bill.

EXECUTIVE ACTION ON SB 192

Motion/Vote: REP. JACKSON moved that SB 192 BE CONCURRED IN.
Motion carried 20-0. REP. JACKSON will carry the bill.

A presentation was given by Terry Johnson after the meeting regarding the fiscal note process. EXHIBIT(tah30a02), EXHIBIT(tah30a03), EXHIBIT(tah30a04), EXHIBIT(tah30a05)

Information was handed out regarding HB 244. EXHIBIT(tah30a06), EXHIBIT(tah30a07), EXHIBIT(tah30a08), EXHIBIT(tah30a09)

ADJOURNMENT

Adjournment: 8:48 A.M.

REP. BOB STORY, Chairman

RHONDA VAN METER, Secretary

BS/RV

EXHIBIT (tah30aad)